



MEMORANDUM

TO: Mayor and Council Members

FROM: Rosie Truelove, Director, Neighborhood Housing and Community Development Department

DATE: September 26, 2018

SUBJECT: Legislative history of the Housing Trust Fund, Department Funding Requests, and Recommended Changes to the Housing Trust Fund

This memorandum was developed to provide the legislative history for, and to respond to questions regarding the general appropriate uses of, the Housing Trust Fund (HTF). This memo is not intended to address Council Resolution No. [20180823-076](#) regarding the use of the HTF to acquire and preserve multi-family developments and mobile home parks.

Council created the HTF through Ordinance No. [000420-33](#) (adopted April 20, 2000) to contribute to the economic development of the City, to revitalize neighborhoods, and to create/preserve reasonably priced housing opportunities for persons residing in Austin. Since inception, HTF funds have been used to help subsidize a total of 33 projects resulting in the creation and/or preservation of 1,430 affordable housing units through a multi-layered funding strategy leveraging local, federal, and private sources. In the past, the HTF has also been used to fund housing studies, relocation expenses resulting from code enforcement activities, and the salaries of three employees. Moving forward, Neighborhood Housing and Community Development's (NHCD) goal is to utilize the HTF to help reach the affordable housing goals adopted in the [Strategic Housing Blueprint](#) (Blueprint) over the next 10 years, utilizing the attached Decision Tree to guide the process.

Recent Council Direction Regarding the Housing Trust Fund. Resolution No. [20160616-030](#) directed the City Manager to transfer 100% of property tax revenue derived from the formerly State owned property known as Bull Creek Road Tract to the HTF beginning with fiscal year 2017. In addition, Resolution Nos. [20151217-074](#) and [20160616-035](#) directed the City Manager to transfer 100% of tax revenue derived from properties previously owned by the state, county and city to the HTF, and included additional direction to utilize the funding as follows: 40% to maintain the existing allocation to the HTF; 40% to be applied to providing affordable housing in Homestead Preservation Districts (HPD); and 20% to be applied to providing affordable housing development in high opportunity areas.

Fiscal Year 2018-2019 Budget. This year's approved City budget includes funding of the HTF at 100%, in accordance with prior Council Resolutions, and funds the salaries of the three NHCD positions through the General Fund instead of the HTF. NHCD's budget also includes a \$500,000 annual allocation from the General Fund for studies and related activities to implement the adopted [Blueprint](#). This annual allocation will enable the department to direct resources from the HTF to the housing goals set in the Blueprint. These changes are responsive to direction provided by Council in the form of a [budget rider](#) per Ordinance No. 20160914-001.

NHCD's approved budget also supports the People's Plan and the African American Resource Advisory Commission recommendations to establish a dedicated Low Income Housing Trust Fund (LIHTF) with an annual allocation of \$16 million to "preserve, construct or subsidize housing for low income families, defined as households making 60% or less of MFI" by increasing the funding in the HTF that can be used for housing activities, rather than salaries.

Housing Trust Fund Recommendations. While the approved budget for fiscal year 2018-2019 includes full funding for the Housing Trust Fund, in accordance with Resolution Nos. [20151217-074](#) and [20160616-035](#), the previous two budgets did not. Additionally, since Resolution No. [20151217-074](#) was adopted, Austin has exceeded the eligibility requirement of HPD legislation, leaving Homestead Preservation District A the only existing HPD in Austin. The City is not eligible to adopt any additional districts at this time.

The City's only HPD includes an HPD Tax Increment Reinvestment Zone that requires the funds be spent in that district. Because the City only has one HPD area at present, and it has an ongoing revenue source, staff recommends Council amend Resolution [20151217-074](#) to remove the percentage set-asides so that 40% of the HTF will not be directed to that specific area.

Staff will bring forward these proposed amendments to relevant HTF resolutions to the City Council Housing and Planning Committee for review and potential action in January 2019 in tandem with the department's presentation on its Housing Blueprint Implementation Strategy.

In 2013, Deputy Chief Financial Officer Ed Van Eenoo presented to City Council a [potential long-term plan](#) that would change the strategy for setting the funding for the Housing Trust Fund. While the current HTF amount is determined through a time-intensive process of calculating the property taxes on former publicly-owned land, Van Eenoo recommended that City Council instead set aside a specific amount per year. This increased ongoing funding of the HTF could also potentially reduce reliance on cyclical bond elections, thereby reducing interest and debt issuance costs. Staff recommends that the City Council replace the current Housing Trust Fund transfer calculation with a new policy that sets a target for the amount of the annual General Fund transfer and establishes a timeline for achieving that target.

To ensure that the City receives the most benefit from the HTF, going forward, NHCD recommends identification of alternative funding sources for relocation expenses resulting from code enforcement activities. Staff also recommends that the median family income (MFI) limitations for the HTF be adjusted to be consistent with affordable housing goals in the adopted Blueprint and supportive of the recommendations in the People's Plan and the African American Resource Advisory Commission: a limitation of 60% MFI for rental units and a limitation of 80% MFI for ownership units.

Should you have additional questions, please contact me at (512) 974-3064.

Attachments: Decision tree
Legislative History

cc: Spencer Cronk, City Manager
Joe Pantalion, Interim Assistant City Manager
Anne Morgan, City Attorney
Elaine Hart, Deputy City Manager

Housing Trust Fund Decision Tree

Housing Trust Fund Threshold Questions

One "yes" answer is required for each set of questions

Does the activity preserve or create reasonably priced housing?

- or -

Does the activity revitalize neighborhoods?

- or -

Does the activity create or provide more housing opportunities?

and

Is the activity identified in the City's consolidated plan?

and

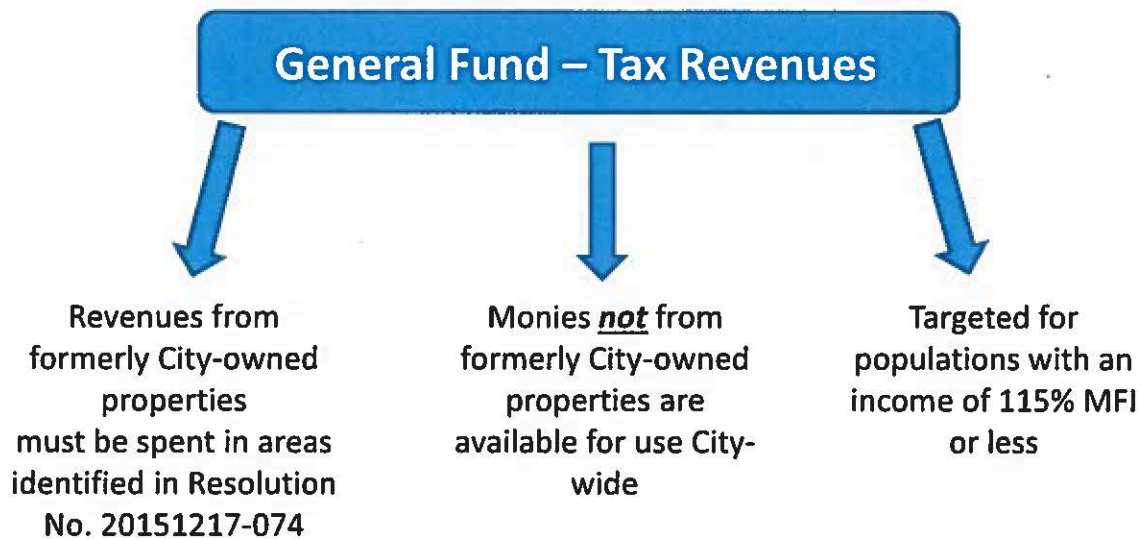
Is the activity subject to gaps in funding (federal or bonds)?

-or-

Is the activity ineligible for federal funding?

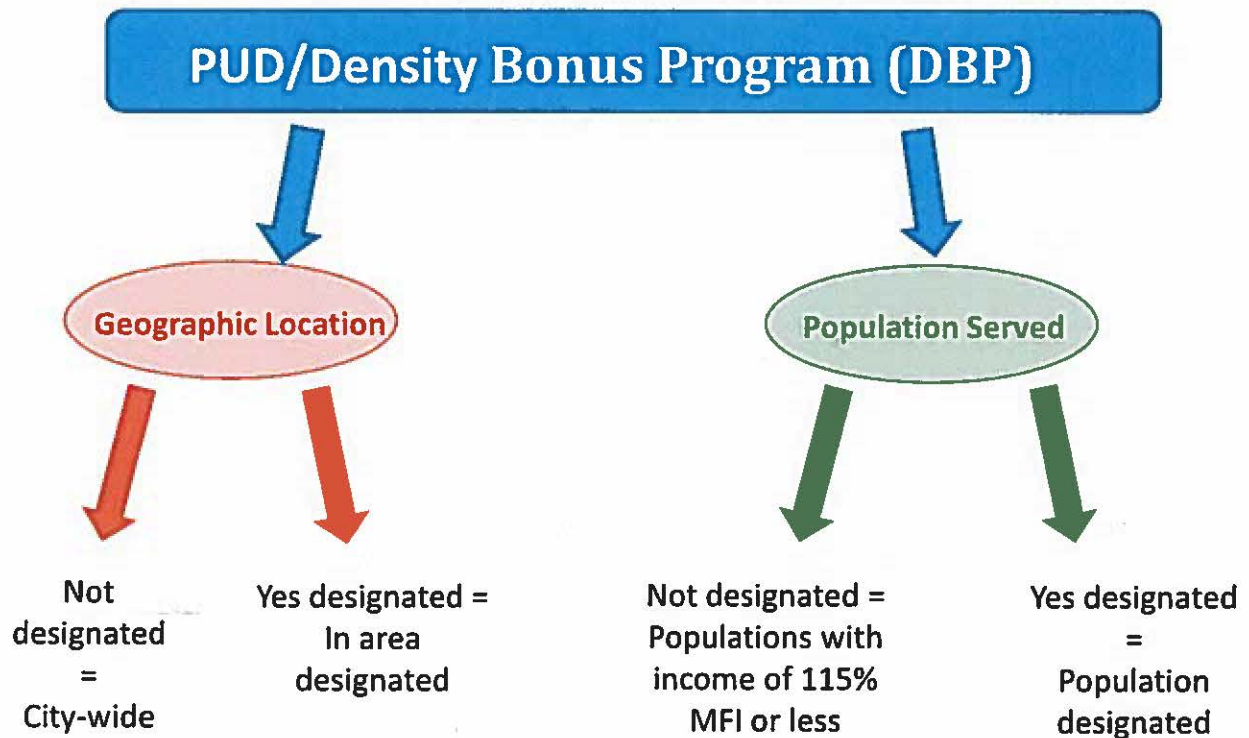
Housing Trust Fund Decision Tree

**Funding Source Determines Where Funds Can Be Spent
and Which Populations Can Be Served**



Housing Trust Fund Decision Tree

**Funding Source Determines Where Funds Can Be Spent
and Which Populations Can Be Served**



HOUSING TRUST FUND LEGISLATIVE HISTORY
JULY, 2018

- **Initial Council/AHFC Action**

- Ordinance No. 000420-33/AHFC Res. No. 2000-0420-82
- Background:
 - (1) Objectives:
 - (a) will contribute to the economic development of the City and
 - (b) will assist to preserve and create reasonably priced housing for City residents, to revitalize neighborhoods, and to build the City's tax base.
 - (2) Statutory authority: LGC Chapter 380
 - (3) Initial funding: \$1,000,000 from General Fund
 - (4) Limits related to initial funding:
 - (a) Maximum of \$750,000 to construct new rental housing that comply with City's existing Housing Implementation Program (HIP) to serve populations up to 50% MFI. Objective was to make this funding available immediately by amending an existing Notice of Funding Available (NOFA).
 - (b) Minimum of \$250,000 to remain in the fund to guarantee residential loans.
 - (5) Program guidelines description:
 - (a) Address gaps in available funding as described in the consolidated plan.
 - (b) For activities subject to the gap because activity is not eligible for the use of federal monies.
 - (c) Program will improve the quality of housing opportunities for families through housing and economic development programs designed and implemented by AHFC.
 - (d) Anticipates rehab and new construction.
 - (6) NHCD recommended future use guidance:
 - (a) Priorities should be determined using the consolidated planning process
 - (b) Public governance
 - (c) Funds can be used for non-federal purposes
 - (d) Generate sufficient principle so interest can be used to fund programs.
 - (e) Serve populations whose income is 115% or less of MFI.

- **Subsequent Council Actions¹**

- Resolution No. 000907-72
 - (1) FY 2002 through FY 2005 -- \$1 million from General Fund.
 - (2) Dedicate 40% of all incremental tax revenues derived from developments in the Desired Development Zone and were not on the Travis Central Appraisal District.

¹ This list does not address the TOD, Burnet Gateway, and East Riverside Corridor density bonus programs that allow a fee-in-lieu, which may impact the HTF.

- Ordinance No. 20080618-098
 - (1) Affordable housing requirements in a PUD
 - (2) Allows fee-in-lieu to Housing Assistance Fund.
- Ordinance No. 20130627-105
 - (1) Repeals CURE (no affordability requirement)
 - (2) Allows for density bonuses for on-site or fee-in-lieu (based on per square foot).
 - (3) Directs the monies to the Affordable Housing Trust Fund.
 - (4) Part 5 states monies “shall be prioritized for permanent supportive housing for low barrier approaches for the chronic homeless.”
- Ordinance No. 20130808-019
 - (1) Amends Part 5 in Ordinance No. 20130627-105
 - (2) States monies “will be exclusively for permanent supportive housing for low barrier approaches for the chronically homeless.”
- Ordinance No. 20131003-096
 - (1) Affordable housing requirements in a PUD
 - (2) Replaces “Housing Assistance Fund” with “Affordable Housing Trust Fund”
- Resolution No. 20151217-074
 - (1) Increased the percentage established in Resolution No. 000907-72 was increased from 40% to 100%.²
 - (2) Allocated the monies generated from those taxes – 40% maintain the existing allocation to the HTF; 40% shall be applied to provide affordable housing in homestead preservation districts; and 20% shall be applied to affordable housing development in high opportunity areas.
- Resolution No. 20160616-030
 - (1) Beginning with FY 2016-2017, 100% of property tax revenue derived from the formerly State-owned property known as Bull Creek (a/k/a the Grove) to the HTF.
 - (2) Per Ordinance No. 20161215-075 (Grove PUD), this money will be used to buy the affordable housing at the Grove.
- Resolution No. 201606016-035: Property taxes generated from formerly county-owned or state-own property goes to HTF.

² The budgets adopted since this Resolution do not reflect transfers that equal 100%